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Recently published GST/HST regulations

The following GST/HST regulations were published on March 16, 2011, in the Canada Gazette:

- the *Credit for Provincial Relief (HST) Regulations*
- the *Security Interest (GST/HST) Regulations* and
- the *Regulations Amending Various GST/HST Regulations, No. 2* which amends these regulations:
 - Closely Related Corporations (GST/HST) Regulations;*
 - Financial Services (GST/HST) Regulations;*
 - Games of Chance (GST/HST) Regulations;*
 - Joint Venture (GST/HST) Regulations;*
 - Streamlined Accounting (GST/HST) Regulations;*
 - Deduction for Provincial Rebate (GST/HST) Regulations;*
 - New Harmonized Value-Added Tax System Regulations;*
 - New Harmonized Value-Added Tax System Regulations, No. 2.*

Builders and reporting GST/HST new housing rebates, provincial new housing rebates and provincial transitional new housing rebates on GST/HST returns filed electronically

It is important for builders to report their rebates correctly on their GST/HST returns and to ensure that their paper rebate applications are sent to the CRA on a timely basis. Inaccurate reporting can result in processing

My Business Account: To view your account balance and transactions; request additional remittance vouchers; file and adjust a GST/HST return, and view its status; calculate your instalment payments; view notices, letters and statements; view address and banking information; authorize or manage representatives; transfer payments and immediately view an updated balance; go to www.cra.gc.ca/mybusinessaccount.

GST/HST NETFILE: Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to www.cra.gc.ca/gsthst-netfile.

La version française de la présente publication est intitulée *Nouvelles sur l'accise et la TPS/TVH*.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

delays, net tax assessments, penalty and interest charges and the retention of other refunds or rebates that they may be expecting from the CRA.

Please note that amounts that are assessed for GST/HST purposes may affect other accounts that a builder has with the CRA. Debits on a GST/HST account will be offset by credits that the builder may have on other CRA accounts.

GST/HST new housing rebates and provincial new housing rebates

Builders who pay or credit the amount of a GST/HST new housing rebate to a purchaser, including a provincial new housing rebate in respect of the provincial part of the HST¹, are entitled to claim a deduction in calculating their net tax for the reporting period in which they pay or credit the rebate amount, provided they have sent Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from Builder*, or the provincial new housing rebates (Forms RC7190-BC, RC7190-NS¹, RC7190-ON) to the CRA on time and in the required manner.

Where a builder files its return electronically, the rebate applications should be sent to the Summerside Tax Centre no later than the day the return is filed electronically. Where a builder is entitled to file a paper return, rebate applications should be sent with the return.

In order to use these rebates to reduce their net tax for a reporting period, builders must claim the rebate amounts as an adjustment to ITCs on line 108 of their GST/HST return. In addition, builders that are required to file electronically must also report these rebate amounts on line 135 of their GST/HST return. Electronic filing options include GST/HST NETFILE, TELEFILE or, in some circumstances, EDI through some financial institutions.

If a builder does not report these rebate amounts in this manner, the CRA's processing of the builder's return may be delayed and penalty and interest charges may apply as follows:

Failure to report on line 135 – rebate applications sent to CRA

If a builder does not include the correct amount of the new housing rebates on line 135, the builder may be subject to a penalty of \$250 for each occasion that they fail to correctly report a rebate amount, even if the amount is included on line 108 and the builder sends the corresponding rebate applications to the CRA as required.

Failure to report on line 135 – rebate applications not sent to CRA

If a builder enters the new housing rebate amounts on line 108 but does not include the amounts on line 135 and does not send the corresponding rebate applications to the CRA as required, the builder may be subject to a penalty of up to 10% of the rebate amounts. The builder can also expect to be assessed for the amount of the rebates claimed on line 108 together with interest calculated from the date the return was due if the rebate applications are not provided at the time of the audit.

Failure to send rebate applications to CRA

If a builder reports the rebate amounts correctly but does not send the CRA the corresponding rebate applications, the builder can expect to be assessed, generally for the lesser of the amount of the rebates claimed

¹ However, if a builder entered into a written agreement of purchase and sale after April 6, 2010, and both ownership and possession are transferred under the agreement after June 2010, the builder cannot use form RC7190-NS. In this case the builder would have to claim a Nova Scotia new housing rebate with the Province of Nova Scotia. A deduction cannot be made against the net tax for HST purposes for a Nova Scotia new housing rebate that is claimed with the Province of Nova Scotia.

on line 135 or the total amount claimed on line 108 together with interest calculated from the date the return was due if the rebate applications are not received by the CRA within a reasonable time after filing the return².

Consequences of reporting new housing rebates on line 111

The GST/HST new housing rebates in respect of the GST or federal part of the HST or provincial new housing rebates in respect of the provincial part of the HST rebate cannot be included on line 111 of the GST/HST return and used to reduce an amount owing on the return. If a builder reports the GST/HST new housing rebates or provincial new housing rebates on line 111 instead of line 108 and line 135 of their GST/HST return, the builder will be assessed. Due to the incorrect reporting of the rebate amounts, the builder's net tax will not be reduced by the rebate amounts. When an amount is recorded on line 111, the CRA expects to receive certain types of rebate applications (for example, a provincial transitional new housing rebate or a rebate for tax paid in error). If the CRA does not receive the expected rebate applications, a notice of assessment is generated. Upon receipt of such an assessment, the builder can contact the CRA to request an adjustment to lines 108 and 135 of the return. In this situation, the builder may be subject to the penalty of \$250 for each occasion that they fail to correctly report a rebate amount on line 135, as indicated above.

Provincial transitional rebates, other types of GST/HST rebates and lines 111, 1300 and 1301

Other types of rebates may be included on line 111 of the GST/HST return. These rebates are used to reduce the amount owing on the builder's return.

If a builder is **not required** to complete Schedule A of the GST/HST NETFILE return, the builder enters these rebate amounts directly on line 111.

If a builder is completing Schedule A of the GST/HST NETFILE return, these other types of rebates must be included on line 1300 or 1301, as follows.

Line 1300

If a purchaser assigns a provincial transitional new housing rebate to the builder and the builder wants to use the rebate amount to reduce the amount owing on the builder's return, the builder must report the rebate amount on line 1300 and send the rebate application (for Ontario and British Columbia use Forms RC7000-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate* or RC7000-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate*) to the Summerside Tax Centre no later than the day the return is electronically filed. Amounts reported on this line will automatically be included on line 111 and used to reduce the builder's amount owing.

If a builder wants to use the rebate amount to reduce the amount owing on the builder's return but does not include the amount on line 1300, the builder may be subject to a penalty of \$250 for each occasion that they fail to correctly report a rebate amount, even if the amount is included on line 111 and the builder sends the corresponding rebate applications to the CRA as required.

Line 1301

A builder who is entitled to claim a provincial transitional new housing rebate (for example, in respect of a condominium unit or in respect of a self-supply), and who wants to use the rebate amount to reduce its amount owing, must report the rebate amount on line 1301 if the builder is completing Schedule A of the GST/HST NETFILE return. Amounts reported on line 1301 will also be automatically included on line 111 and used to reduce the builder's amount owing.

² Generally, an assessment would not be raised if the rebate applications are received by the CRA prior to the issuance of the assessment, regardless of when the applications are received.

If a builder is required to complete Schedule A and wants to use the rebate amount to reduce the amount owing on the builder's return but does not include the amount on line 1301, the builder may be subject to a penalty of \$250 for each occasion that they fail to correctly report a rebate amount, even if the amount is included on line 111 and the builder sends the corresponding rebate applications to the CRA as required.

If a builder is not required to complete Schedule A, the builder must report the rebate amount on line 111 of the return.

In either case, the builder must send the rebate application (for Ontario and British Columbia use forms RC7000-ON or RC7000-BC using Application Type 1, RC7001-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Condominiums*, RC7001-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Residential Condominiums*, RC7002-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Apartment Buildings*, or RC7002-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Apartment Buildings*) to the Summerside Tax Centre no later than the day the return is electronically filed.

Some other rebates that a builder is entitled to claim, for example, a GST/HST new residential rental property rebate, must also be reported on line 1301 if the builder is required to complete Schedule A and wants to use these rebates to reduce the amount owing on its return. Otherwise, these other rebate amounts would be included on line 111.

Builder is a public service body

If a builder is a public service body (PSB) entitled to claim a PSB rebate and is required to complete Schedule A, the amount of the PSB rebate **should not** be included on line 1301. Before completing Schedule A, the builder must complete the on-line PSB rebate application form. This form automatically opens when the builder indicates at the beginning of the GST/HST NETFILE filing process that it wants to file a PSB rebate application along with its return. The total rebate amount (line 409 of the PSB rebate application form) will automatically be carried over to line 409 of Schedule A. If the PSB is not required to complete Schedule A and wants to use the amount of a PSB rebate to reduce the amount owing on its return, the amount of the PSB rebate will automatically be carried over to line 111 of the return.

Consequences of a builder not reporting rebate amounts correctly

Where a builder uses a rebate amount to reduce the amount owing on its return, sends the rebate application to the CRA and does not correctly report the rebate amount on line 1300, 1301 or 111, the builder may receive a cheque for the rebate amount. In this case, the rebate amount is paid to the builder as there is no indication on the builder's return that an offset was made by the builder. In this case, the builder is required to pay the rebate overpayment and any applicable interest to the Receiver General.

If a builder is entitled to, and files, a paper return and reports any of these other types of rebates on their return, the applications for these rebates should be sent with the return. Where the builder files its return electronically, the rebate applications should be sent to the Summerside Tax Centre no later than the day the return is filed.

If a builder correctly reports an amount for these types of rebates on the return and the CRA does not receive the rebate applications, the builder will be assessed for the amount of the rebates and interest will apply from the date the return was due.

More information

For more information see the series of GST/HST Info Sheets which cover many topics relating to housing rebates and builders (from GI-083 to GI-101). For more information specifically related to electronic filing, see

GST/HST Info Sheet GI-099, *Builders and Electronic Filing Requirements*. For detailed information for builders using GST/HST NETFILE please see GST/HST Info Sheet GI-118, *Builders and GST/HST NETFILE*.

Point-of-sale rebate on qualifying books for the participating provinces and on newspapers for Ontario only

The governments of Nova Scotia, New Brunswick and Newfoundland and Labrador each provide a point-of-sale rebate of the provincial part of the HST payable on supplies of qualifying books. As of July 1, 2010, the governments of Ontario and British Columbia also provide the same rebate. Collectively, these provinces are referred to as the participating provinces.

The rebate is available to persons who are recipients of qualifying books supplied in the participating provinces, or who are resident in any of those provinces and who import qualifying books in circumstances where the provincial part of the HST is payable on the importation, or who bring qualifying books into a participating province in circumstances where the provincial part of the HST is payable on the books.

The rebate is available at any point in the distribution chain of the qualifying books. For example, the rebate is available to recipients who are wholesalers, retailers or consumers. This includes a publisher or other person who arranges to have a qualifying book printed by a printer. In such a case, the printer may offer the rebate to the recipient, so that the printer only collects the 5% federal part of the HST.

A printer may offer the rebate on qualifying books since the CRA considers that, generally, printing is the supply of tangible personal property and not a service. Upon printing of a book, new property is produced and ownership transferred to the recipient of the supply.

Some printed material is specifically excluded from the definition of printed book, such as a calendar, a brochure or pamphlet, as well as a sales catalogue, and the rebate is therefore not available for such items. GST/HST Info Sheet GI-065, *Harmonized Sales Tax for Ontario and British Columbia – Point-of-Sale Rebate on Books* outlines the exclusions in more detail. These exclusions apply to all of the participating provinces.

Where the printer assumes responsibility for the shipping and handling of the qualifying books, the shipping and handling fees are considered to be part of the price of the books, even if they are invoiced as a separate item. As a result, the rebate is also available in respect of these fees.

Charges for other specific services such as graphic design or cataloguing related to the printing of a qualifying book may be eligible for the rebate if they are considered to be part of a single supply of the qualifying book. The determination of whether a transaction consisting of several elements, such as printed books and graphic design, is to be regarded as a single supply or multiple supplies is a question of fact. The CRA uses a number of principles to make such a determination. However, because of the variety of situations in which such a determination must be made, it is difficult to provide guidance covering every eventuality. For example, a single invoice for both printing and graphic design services does not automatically mean that there is one supply. Equally, separately identified charges or invoices for printing and graphic design services do not necessarily mean that there are two or more supplies. To assist in making this determination, CRA applies the guidelines set out in GST/HST Policy Statement P-077, *Single and Multiple Supplies*.

Info Sheet GI-065 also explains the invoicing options when applying the rebate and the mechanism for the printer to remit only the federal part of the HST in respect of the supply of a qualifying book. It also explains how a recipient can file an application to receive the rebate from the CRA where the printer did not credit the rebate to the recipient.

Point-of-sale rebate on newspapers for Ontario only

In addition, as of July 1, 2010, the government of Ontario provides a point-of-sale rebate on qualifying newspapers. As in the case of qualifying books, the rebate is available at any point in the distribution chain, including when a printer prints a qualifying newspaper. GST/HST Info Sheet GI-060, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Newspapers* provides more detail on this rebate, including what constitutes a qualifying newspaper.

Public service bodies' rebates for public service bodies resident in more than one province, at least one of which is a participating province

Many public service bodies (PSBs) are eligible for a PSB rebate of the GST or the federal part of the HST paid or payable on eligible purchases and expenses. PSBs entitled to claim the PSB rebate include charities, qualifying non-profit organizations (i.e., non-profit organizations that receive at least 40% government funding) and selected PSBs (i.e., school authorities, universities, or public colleges that are established and operated other than for profit; hospital authorities; municipalities; facility operators; or external suppliers).

If a PSB is resident in a participating province (i.e., Ontario, Nova Scotia, New Brunswick, British Columbia, or Newfoundland and Labrador), it may also be eligible for a PSB rebate of the provincial part of the HST paid or payable on eligible purchases and expenses.

Where a PSB is resident in more than one province, at least one of which is a participating province, the PSB will calculate its PSB rebate of the provincial part of the HST paid or payable on eligible purchases and expenses based on the extent it intended to consume, use or supply the eligible purchases and expenses in the course of its activities engaged in each province in which it is resident based on the following:

- where the PSB incurred HST in a participating province in which it **is** resident, it is eligible for a PSB rebate of the provincial part of that HST paid or payable on eligible purchases and expenses based on the extent the PSB intended to consume, use or supply the eligible purchases and expenses in the course of its activities engaged in each participating province in which it **is** resident;
- where the PSB incurred HST in a participating province in which it **is not** resident, it is eligible for a PSB rebate of the provincial part of that HST paid or payable on eligible purchases and expenses based on the extent the PSB intended to consume, use or supply the eligible purchases and expenses in the course of its activities engaged in each participating province in which it **is** resident; and
- where the PSB incurred HST on eligible purchases and expenses that are for consumption, use or supply in the course of its activities engaged in a province in which it **is not** resident, or for consumption, use or supply in the course of its activities engaged in outside participating provinces, a PSB rebate is not available for the provincial part of HST paid or payable on eligible purchases and expenses.

Example 1

A charity, that is not a selected PSB, is resident in the participating provinces of Newfoundland and Labrador and New Brunswick. It acquired \$2,000 of eligible purchases of goods in Ontario and it paid \$260 in HST. The goods were not removed from Ontario within 30 days after they were delivered to the charity; therefore the HST the charity paid on these purchases did not qualify for a rebate for goods removed from a participating province. The extent the charity intended to use these goods in activities engaged in each province in which it is resident is:

Newfoundland and Labrador: 40%

New Brunswick: 60%

The provincial part of the HST paid on the eligible purchases and expenses from Ontario is \$160 ($\$260 \times 8/13$). The federal part of the HST paid on the eligible purchases and expenses from Ontario is \$100 ($\$260 \times 5/13$).

To calculate its PSB rebate of the federal part, the charity will multiply the federal part of the HST by the federal PSB rebate factor of 50%:

PSB rebate of the federal part of the HST: $\$100 \times 50\%$ (federal rebate factor) = \$50

To calculate its PSB rebate of the provincial part of the HST, the charity will multiply the provincial part of the HST by the extent it intended to use the goods in activities engaged in each participating province in which it is resident and by the provincial rebate factor for each of those participating provinces:

Newfoundland and Labrador: $\$160 \times 40\%$ (extent of use in activities engaged in Newfoundland and Labrador) $\times 50\%$ (provincial rebate factor for Newfoundland and Labrador) = \$32

New Brunswick: $\$160 \times 60\%$ (extent of use in activities engaged in New Brunswick) $\times 50\%$ (provincial rebate factor for New Brunswick) = \$48

Of the \$260 in HST paid in Ontario, the charity will claim a PSB rebate of the federal part of \$50 plus the PSB rebate of the provincial part of the HST of \$80 (\$48 + \$32) for a total PSB rebate of \$130. The amount relating to the provincial part of the HST was determined based on the extent of use of the goods in activities engaged in the participating provinces in which the charity is resident and by using the relevant provincial rebate factors of the participating provinces in which the charity is resident.

Example 2

A charity, that is not a selected PSB, is resident in the participating provinces of British Columbia and Nova Scotia. It acquired \$2,000 of eligible purchases of goods in Ontario and it paid \$260 in HST. The charity intends to only use these goods in its activities engaged in Ontario; however, it is not resident in Ontario.

As the charity is not resident in Ontario and the goods will not be used, consumed or supplied in the course of its activities carried on in a participating province in which it is resident, the charity will not be entitled to a PSB rebate of the provincial part of the HST paid in Ontario. However, the charity will be entitled to a PSB rebate of the federal part of the HST paid in Ontario; in this case, \$50 ($\$260 \times 5/13 \times 50\%$).

In addition, the goods will not be removed from Ontario; therefore the charity will not qualify for a rebate for goods removed from a participating province.

Example 3

A qualifying non-profit organization is resident in the participating provinces of Ontario and British Columbia and the non-participating province of Manitoba. It paid the following amounts in GST and HST on eligible purchases of goods in those three provinces: \$650 of HST in Ontario, \$2,400 of HST in British Columbia (for a total of \$3,050 in HST), and \$800 of GST in Manitoba. The goods were not removed from the participating province where they were purchased to another province within 30 days after they were delivered to the organization. Therefore the HST the organization paid on these purchases will not qualify for a rebate for goods removed from a participating province.

PSB rebate of the GST and federal part of the HST

To calculate the PSB rebate of the GST and the federal part of the HST, the organization will add the amount of GST paid in Manitoba (\$800) with the federal parts of the HST paid in Ontario and British Columbia. The federal part of the HST paid in Ontario is \$250 ($\$650 \times 5/13$). The federal part of the HST paid in British Columbia is \$1,000 ($\$2,400 \times 5/12$). The total of those three amounts will then be multiplied by the federal PSB rebate factor of 50%:

$[\$800 \text{ (Manitoba)} + \$250 \text{ (Ontario)} + \$1,000 \text{ (British Columbia)}] \times 50\%$ (rebate factor) = \$1,025.

PSB rebate of the provincial part of the HST

To calculate its PSB rebate of the provincial part of the HST, the organization will multiply the provincial part of the HST paid by the extent it intended to use the goods in activities engaged in each participating province in which it is resident and by the applicable provincial PSB rebate factor for that participating province.

The organization intended to use the goods purchased in Ontario as follows:

- 60% in activities engaged in Ontario; and
- 40% in activities engaged in Manitoba.

The organization intended to use the goods purchased in British Columbia as follows:

- 80% in activities engaged in British Columbia; and
- 20% in activities engaged in Ontario.

Given that the intended use of the goods is not the same in each province in which the organization is resident, separate calculations are required to determine the PSB rebate of the provincial part of the HST.

PSB rebate of the provincial part of the HST paid in Ontario

For the HST paid in Ontario, the provincial part of the HST is \$400 ($\$650 \times 8/13$).

The PSB rebate of the provincial part of the HST paid in Ontario for activities engaged in Ontario would be:

$$\$400 \times 60\% \text{ (extent of use in activities engaged in Ontario)} \times 82\% \text{ (provincial rebate factor for Ontario)} = \$196.80$$

There is no PSB rebate of the provincial part of the HST paid in Ontario on goods that are for use in activities in Manitoba, as Manitoba is not a participating province. The total PSB rebate of the provincial part of the HST paid in Ontario will be \$196.80 ($\$196.80 + \0.00).

PSB rebate of the provincial part of the HST paid in British Columbia

For the HST paid in British Columbia, the provincial part of the HST is \$1,400 ($\$2,400 \times 7/12$).

The PSB rebate of the provincial part of the HST paid in British Columbia for activities engaged in British Columbia would be:

$$\$1,400 \times 80\% \text{ (extent of use in activities engaged in British Columbia)} \times 57\% \text{ (provincial rebate factor for British Columbia)} = \$638.40$$

The PSB rebate of the provincial part of the HST paid in British Columbia for activities engaged in Ontario would be:

$$\$1,400 \times 20\% \text{ (extent of use in activities engaged in British Columbia)} \times 82\% \text{ (provincial rebate factor for Ontario)} = \$229.60$$

The total PSB rebate of the provincial part of the HST paid in British Columbia will be \$868.00 ($\$638.40 + \229.60).

Total PSB rebate

For the \$3,050 HST paid in Ontario and British Columbia and the \$800 GST paid in Manitoba, the charity will claim a PSB rebate of the federal part in the amount of \$1,025 plus the PSB rebate of the provincial parts of the HST in the amount of \$1,064.80 ($\$196.80 + \868.00). The total PSB rebate of the organization for the period is \$2,089.80 ($\$1,025 + \$1,064.80$).

For more information on PSB rebates, including applicable rebate factors and eligibility criteria, please see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Exempt health care services

The general rule under the *Excise Tax Act* (the Act) is that every recipient of a taxable supply, other than a zero-rated supply, made in Canada shall pay tax calculated at the rate of 5%, 12%, 13%, or 15% (depending on the place of supply) on the value of the consideration for the supply. There are certain exceptions to the general rule. The exceptions include certain health care services that are exempt for purposes of the GST/HST.

The health care services that are exempt from the GST/HST are listed in the Act. Exemptions include health care services rendered to individuals by provincially regulated health care professionals who are identified in the Act. Accordingly, health care services provided by the following licensed or otherwise certified health care professionals are generally exempt: physicians, dentists and orthodontists, registered nurses, registered nursing assistants, licensed or registered practical nurses, registered psychiatric nurses, optometrists, chiropractors, physiotherapists, chiropodists, audiologists, speech-language pathologists, occupational therapists, psychologists, podiatrists, midwives, dieticians, social workers, and dental hygienists.

Also exempt for GST/HST purposes are institutional health care services provided by operators of hospitals, private surgical facilities, nursing homes and other health care facilities when these services are rendered to patients or residents of the facilities. In addition, ambulance services provided by a person who is in the business of supplying such services are exempt.

The exemptions generally apply to basic health care services rendered to individuals; i.e., services that maintain health or that prevent disease or treat an injury, illness or disability of an individual, such as physical examinations and treatment supplied by licensed or certified health care professionals within the scope of their professions to address a medical or health symptom or condition of their patients or individual clients.

Finally, a health care service, whether or not listed above, is exempt to the extent that the service is insured by a province or territory under its public health insurance plan to provide for health care services for all insured persons of the province or territory. Note that this exemption applies only if, and to the extent that, the fee for the service is paid for or reimbursed by the plan.

Other services provided by regulated health care professionals

Other professional services such as management and administrative services provided by regulated health care professionals are not exempt. For instance, a service provided by a physician of overseeing research activities of a health care facility or educational institution is not exempt. Other examples of taxable services are research services, project consultation and facilitation services. In addition, such services provided by a registered nurse to a government, association, or a health care facility would fall outside the scope of the exemption for registered nurses.

Cosmetic services

The exemptions for health care services exclude cosmetic services as well as any separate supplies of property and services related to cosmetic service supplies. A cosmetic service supply is defined in the Act as a supply of a property or a service that is made for cosmetic purposes and not for medical or reconstructive purposes. Taxable cosmetic services include both surgical and non-surgical procedures generally aimed at enhancing one's appearance, such as liposuction, body enhancement procedures, hair replacement procedures, botulinum toxin injections, and teeth whitening, when not provided for the purpose of treating a medical condition or for reconstructive purposes. Any separate supply of property, such as the use of an operating room, drugs, and medical or surgical prostheses, or any separate supply of a service such as a diagnostic service, institutional health care service or nursing service is also taxable when the property or service relates to a cosmetic service.

Taxable health care services

Generally, any basic health care services rendered to individuals by the health care providers who are identified in the Act are exempt. Health care services provided by other therapists and health care workers are generally not exempt. While these other therapists and workers may be professionals in their fields and they may be certified in their province or territory, they are not identified in the Act. Therefore the Act's exemptions do not apply to their services even where, for example, the service is similar to a service performed by an identified health care provider, such as a nurse or physiotherapist. Some examples of therapists and other health care workers whose services are generally taxable for GST/HST purposes are (this is not an exhaustive list):

- assistants such as physiotherapy and occupational therapy assistants
- social service workers (this is a separate profession from social workers)
- laboratory technicians;
- psychometrists;
- nursing care aides;
- polysomnographic technologists;
- acupuncturists;
- kinesiologists;
- massage therapists;
- naturopaths;
- reflexologists;
- homeopaths;
- reiki therapists;
- sports therapists;
- rolfing therapists;
- traditional Chinese medicine providers;
- phlebotomists;
- personal support workers.

While there are no specific provisions in the Act that exempt the services rendered by the health care providers listed above, their services may qualify for exemption if they are included in another more general exemption. For example, supplies made by the operator of a nursing home of services rendered by nursing care aides are exempt when they form part of an exempt institutional health care service rendered to a resident of the nursing home. In addition, services similar to those rendered by the providers listed above may be exempt when rendered by an identified exempt health care provider. For instance, if physiotherapists are entitled under the provincial law that regulates physiotherapy services to perform acupuncture on their clients in the course of providing physiotherapy services, then their physiotherapy services that involve acupuncture would be exempt.

Please contact your GST/HST Rulings office at 1-800-959-8287 for information on how GST/HST applies to your supplies of health care services.

Labrador Inuit of Nunatsiavut

Nunatsiavut, which means 'our beautiful land' in Inuttitut, is the homeland of Labrador Inuit. The Labrador Inuit is not an Indian Band and its Inuit members are not Indians under the *Indian Act*. Therefore, they are subject to the normal GST/HST rules.

Effective December 1, 2005, the Labrador Inuit became self-governing. Their government is called the Nunatsiavut Government. Also on December 1, 2005, the *Labrador Inuit Tax Treatment Agreement (ITA)* came into effect, providing for a 100% refund of the GST and the federal part of the HST paid on goods and services acquired by the Nunatsiavut Government and its eligible entities provided input tax credits are not available and the eligibility conditions in the ITA are met. The Nunatsiavut Government and its eligible entities may claim the self-government refund of the GST and the federal part of the HST using the Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. The claim must be filed within four years after the tax was paid.

Effective August 20, 2007, the Nunatsiavut Government imposed a First Nations Goods and Services Tax (FNGST) on the Nunatsiavut lands described in Schedule I to the FNGST Act. These lands include the Labrador Inuit Lands and the Inuit communities of Nain, Hopedale, Makkovik, Postville, and Rigolet. The FNGST replaces the GST and federal part of the HST in the harmonized provinces. When the FNGST applies to a supply of a good or service, the GST or federal part of the HST does not. Everyone, including Indians, Indian bands, the Labrador Inuit and the Nunatsiavut Government is required to pay the FNGST and the provincial part of the HST on supplies of goods or services acquired from a registrant on the Nunatsiavut lands.

Information on the FNGST can be found in the following two publications on the CRA Web site: Guide RC4365, *First Nations Goods and Services Tax (FNGST)*, and GST/HST Notice254, *Collecting First Nations Taxes in a Participating Province*.

Don't waste time filing your GST/HST return twice

GST/HST NETFILE is now available to all GST/HST registrants in order to file their GST/HST return, other than the GST/HST final return for selected listed financial institutions (Form GST494). If you are a GST/HST registrant, you may also be eligible to use one of three other electronic filing options: Electronic data interchange (EDI), GST/HST Internet File Transfer (GIFT) or GST/HST TELEFILE. You can also file online **without** a Web access code at www.cra.gc.ca/mybusinessaccount.

Once a return is filed using one of these electronic methods, you do not need to send CRA a paper copy of your return. To learn more about e-services for business please go to CRA's Web site at: www.cra.gc.ca/electronicsservices.

If you choose to use EDI through your financial institution's Web site, you have the option of filing your return and payment together, filing a return with no payment, or paying an amount owing without filing a return (for example, if the return was already filed using GST/HST NETFILE).

What's new for GST/HST electronic filing?

CRA has made several changes to the electronic filing of GST/HST returns and rebates, including a new electronic service to adjust returns. Here are some of the new services that have recently been introduced:

Adjust returns electronically via My Business Account

You can now use the new "Adjust a return" service in My Business Account. This new service allows you to easily select and revise returns you have previously filed (some restrictions apply).

To use this service, go to www.cra.gc.ca/mybusinessaccount. If you are an authorized representative or employee, you can access this service through Represent a Client at www.cra.gc.ca/representatives. You can also remit any amount owing electronically, at your financial institution, or by mail depending on your situation. For more information about electronic payments, go to www.cra.gc.ca/electronicpayments.

Public service bodies' rebates

If you are a registered public service body, you can use GST/HST NETFILE to electronically file your rebate application with your GST/HST return.

Ontario First Nations point-of-sale relief

Form GST189, *General Application for Rebate of GST/HST* has been added to GST/HST NETFILE to allow you to include an eligible Ontario First Nation point-of-sale relief claim when filing your GST/HST return.

Please note that once a rebate is filed using GST/HST NETFILE, you do not need to send a paper copy of your rebate application to the CRA.

Reconciliation of Recaptured Input Tax Credits (Schedule C)

CRA has added a new Schedule C to GST/HST NETFILE to allow registrants that have filed Form RC4531, *Election or Revocation of an Election to use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits* to electronically file their annual RITC reconciliation.

Pension rebate amount transferred by a pension entity

Line 136 has been added to all electronic filing services. Line 136 is used by a qualifying employer to report a pension rebate amount transferred to it by a pension entity. Line 136 must be reported when pension rebate amounts are included in the amount on line 108.

Electronic Data Interchange (EDI)

CRA has expanded the EDI filing option to include Schedules B and C for the reporting and reconciliation of recaptured input tax credits. Check with your financial institution to see if they offer this filing option.

For more information on the GST/HST filing options available to you, go to www.cra.gc.ca/gsthst-filing.

GST/HST registrants located in the province of Québec should contact Revenu Québec for information on GST/HST electronic filing.

What's new in My Business Account?

My Business Account has new and enhanced online services. Now, you can:

- adjust a previously filed GST/HST return
- transfer payments between program accounts (e.g., GST/HST to corporate) within the same 9-digit business number (BN). As before, you can still transfer payments within a program account.
- request that we stop the issuance of remittance vouchers that accompany notices and statements.

To use these online services:

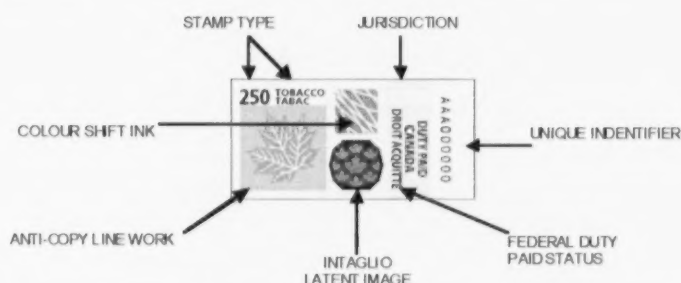
- authorized representatives or employees, go to www.cra.gc.ca/representatives
- GST/HST registrants, go to www.cra.gc.ca/mybusinessaccount

New stamping regime for tobacco products

The *Excise Act, 2001* contains measures to implement a stamping regime for tobacco products in order to enhance the integrity of the tobacco taxation system and to combat the contraband tobacco market. This stamping regime came into effect on September 1, 2010.

As of April 1, 2011, all tobacco products entered into the duty-paid market or released under the *Customs Act* and destined for the duty-paid market must be stamped with the new excise stamp. To facilitate compliance with this requirement, the stamp was introduced with the transition period of September 2010 to March 2011.

A major feature of the new stamping regime was the development of a new excise stamp with visible features and overt and covert security features similar to those used in banknotes and passports as shown in the figure below.



Some of the visible features are: the size (20 × 40 mm), an indication of the type of tobacco product (e.g., 25 cigarettes, 200 cigarettes, 250 grams of tobacco and other types), a unique alphanumeric identification number, and the federal duty-paid status band. Some of the overt security features are: colour shift ink, ultraviolet visible ink, and an intaglio latent image - an engraved image that creates features that have unique tactility and visual effect.

The *Excise Act, 2001* specifies that excise stamps may only be issued to a tobacco licensee or a prescribed person who is importing tobacco products.

Valuable information for tobacco licensees and prescribed persons concerning the recent changes to the *Excise Act, 2001* can be found in the following notices:

EDN24, *New Stamping Regime for Tobacco Products*,

EDN26, *New Excise Stamp Security Features*,

EDN28, *Becoming a Prescribed Person under the New Tobacco Stamping Regime*,

EDN29, *Tobacco Stamping Regime – Excise Stamp Order Process*.

Please note that the excise stamp must be affixed in accordance with the *Regulations Amending the Stamping and Marking of Tobacco Products Regulations* (2011)(SOR/2011-6), which came into force February 16, 2011.

Tobacco products that are not intended for entry into the Canadian duty-paid market require “tobacco markings”. The *Regulations Respecting Prescribed Brands of Manufactured Tobacco and Prescribed Cigarettes* (SOR/2011-7), which came into force February 16, 2011, identify brands of manufactured tobacco and cigarettes that are conditionally exempted from the marking requirements.

For more information on the new stamping regime for tobacco products, see the September 14, 2009, CRA News Release, *New tobacco excise stamp on cigarette packages "One step closer against tobacco contraband"*, and Fact sheet, *Proposed amendments Enhanced stamping regime for tobacco products*.

Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2011, to June 30, 2011, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
2011			
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
2010			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at www.cra.gc.ca/interestrates.

What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

GST/HST forms

GST22	<i>Real Property - Election to Make Certain Sales Taxable</i>
GST44	<i>Election Concerning the Acquisition of a Business or Part of a Business</i>
GST66	<i>Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
GST494	<i>Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions</i>
GST497	<i>Election Under the Special Attribution Method for Selected Listed Financial Institutions and Notice of Revocation</i>
GST518	<i>GST/HST Specially Equipped Motor Vehicle Rebate Application</i>
RC193	<i>Service-Related Complaints</i>
RC199	<i>Taxpayer Agreement - Voluntary Disclosures Program</i>
RC4091	<i>GST/HST Rebate for Partners - Includes Form GST370</i>

RC4288 *Request for Taxpayer Relief*

GST/HST guides

RC4034 *GST/HST Public Service Bodies' Rebate - Includes Forms GST66 and RC7066 SCH*

RC4050 *GST/HST Information for Selected Listed Financial Institutions*

RC4405 *GST/HST Rulings - Experts in GST/HST Legislation*

GST/HST info sheets

GI-074 *Ontario and British Columbia: Transition to the Harmonized Sales Tax - Prepaid Funeral and Cemetery Arrangements and Interment Rights (revised)*

GI-098 *Harmonized Sales Tax: Resales of New Housing in Ontario and British Columbia (revised)*

GI-101 *Harmonized Sales Tax: Information for Non-registrant Builders of Housing in Ontario, British Columbia and Nova Scotia (revised)*

GI-118 *Builders and GST/HST NETFILE*

GST/HST technical information bulletins

B-095 *The Self-assessment Provisions of Section 218.01 and Subsection 218.1(1.2) for Financial Institutions (Import Rules) (revised)*

GST/HST policy statements

P-104 *Supply of Land for Recreational Units such as Mini homes, Park Model Trailers, and Travel Trailers*

GST/HST notices

NOTICE263 *Maa-nulth First Nations*

NOTICE264 *Sales Made to Indians and Documentary Evidence - Temporary Confirmation of Registration Document*

NOTICE265 *GST/HST Registration for Listed Financial Institutions (Including Selected Listed Financial Institutions)*

Excise duty forms

B284 *Election or Revocation of the Election for Semi-Annual Reporting*

Excise duty notices

EDN28 *Becoming a Prescribed Person under the New Tobacco Stamping Regime*

EDN29 *Tobacco Stamping Regime - Excise Stamp Order Process*

Softwood lumber products export charge notices

SWLN36 *Surge Charge - Alberta Region (January 2011)*

SWLN37 *Refund of Alberta Surge Charge for October 2008*

SWLN38 *Surge Charge - Alberta Region (March 2011)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at www.cra.gc.ca/gsthstech, at www.cra.gc.ca/etsl, and at www.cra.gc.ca/exciseduty.

Enquiries

For online access to account balances, transactions and more for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to www.cra.gc.ca/mybusinessaccount.

For general information and to make enquiries regarding your account (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

For enquiries regarding your softwood lumber products export charge account, call 1-800-935-0313.

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call 1-800-565-9353.

For GST/HST technical enquiries call GST/HST Rulings at 1-800-959-8287.

Forms and publications

To access forms and publications online go to www.cra.gc.ca/orderforms.

To order forms and publications by telephone call 1-800-959-2221.

Are you a GST/HST registrant located in Quebec?

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at www.revenuquebec.ca.

The *Excise and GST/HST News* is published quarterly and highlights recent developments in the administration of the goods and services tax (GST) and harmonized sales tax (HST), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.